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December 7, 2011

VIA ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Notice of Oral Ex Parte Presentation - WC Docket No. 11-42

Dear Ms. Dortch:

On Monday, December 5, 2011, David Skogen of Global Connections ("Global"), Brian Lisle of Telrite Corporation ("Telrite"), Chuck Campbell of CGM, and the undersigned on behalf of Global, Telrite and other members of the Link Up for America Coalition ("Coalition")¹ met with Commissioner Mignon Clyburn and her Wireline Legal Advisor Angela Kronenberg to discuss proposed reforms to the Link Up component of the Commission's Low Income Universal Service program. During the meeting, we announced that Midwestern Telecommunications (MTI) is no longer a member of the Coalition and we discussed the Commission's proposed reforms to the Link Up subsidy program. Our comments were consistent with the comments and replies filed by the Coalition on August 26, 2011 and September 2, 2011, respectively, in the above-captioned docket. A copy of the document discussed at the meeting is appended hereto for inclusion with this letter in the record of the above-captioned proceeding.²

Specifically, we discussed the need for a national database solution and our expectation that it would be capable of eliminating most instances of waste, fraud and abuse of low income fund subsidies. We also discussed the role of industry self-regulation in general, and more specifically, the Coalition's voluntary self-regulatory efforts to control waste, fraud and

¹ The members of the Coalition are Assist Wireless, Global Connections of America, NewPhone, Ready Wireless, Tag Mobile, Telrite/Life Wireless, Absolute Home Phones and Affordable Phone.

² The document distributed at the meeting is included as Exhibit 1.

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abuse. We highlighted the Coalition's voluntary Code of Conduct, which was based largely on the conditions that the Commission has imposed on other ETCs in the context of forbearance petitions to address duplicate benefits,³ and the Coalition's ongoing implementation of an interim de-duping process to address duplicates in advance of a Commission ordered database solution.⁴ The Coalition informed Commissioner Clyburn and Ms. Kronenberg that we believe these initiatives will produce significant near-term reductions in waste, fraud and abuse in the Lifeline and Link Up programs. In response to a question from the Commissioner, we also discussed the positive steps that have been taken during the collaborative Duplicate Resolution Process. Coalition members have been active on the weekly conference calls and are working constructively with the participants to locate and correct instances of duplicate Lifeline benefits.

We also discussed the increasing need for Lifeline and Link Up support in low income communities and the role that Coalition members play to reach further and deeper into that market than the Lifeline-only carriers. The Coalition members use a community-based business model built on in-person contact and program-related education. Coalition members generally serve the low income community and the goals of the Low Income program by hosting events at state or county fairs, churches and with agencies that serve low income individuals (e.g., city or state welfare agencies) in order to explain the Commission's Lifeline program and to offer and initiate wireless services. This more extensive and more expensive distribution model has proven successful in reaching low income consumers not reached by the Lifeline-only carriers. For example, Coalition members have had tremendous success in signing-up new customers in markets such as Georgia, even though they entered the market years after TracFone did. Indeed, data submitted by the Coalition in its initial comments demonstrates that TracFone's penetration rate generally tops-out at about 20 percent, leaving the vast majority of the eligible low-income market without and often unaware of Lifeline service.⁵

We also emphasized that while Coalition members compete with TracFone on a limited basis, even that degree of competition is important and has produced tangible consumer benefits. For example, TracFone has periodically provided consumers with plans including more minutes and recently claimed to reduce its rate for additional minutes in half (in response to competition).

Thus, Coalition members play an important role in advancing the Commission's goals to serve the low income community by providing education about the program, in-person

³ See Notice of Written *Ex Parte* Presentation of the Link Up for America Coalition, WC Docket No. 11-42 (filed Oct. 3, 2011).

⁴ See *id.*

⁵ See Comments of the Link Up for America Coalition, WC Docket No. 11-42 et al. at 17-18 (filed Aug. 26, 2011).

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service initiation, and access to mobile communications technologies essential to improving the lives of low income Americans.

In response to a question from the Commissioner, the parties explained the difference between advertising/marketing and outreach for purposes of the Link Up program. According to the Commission “[o]utreach entails increasing public awareness of the program, while marketing relates to how ETCs describe and sell their USF-supported products to consumers.”⁶ Although not directly addressed by the Commission, the Joint Board has strongly implied that outreach is a supportable activity for ETCs.⁷ The Commission has also stressed the importance of ETC outreach activities.⁸ In cost data previously filed with the Commission, Coalition members include some outreach costs in their average costs for commencing service to customers.⁹ In addition, other costs of commencing service include administrative costs for account and phone setup and customer initial order fulfillment, new customer activation and provisioning, and initial setup for customer support and office support services.¹⁰ With respect to costs, the Coalition indicated that while replacing the current Link Up revenue replacement mechanism with a cost recovery program was not its preference and presented significant administrative challenges and burdens, it had nonetheless proposed a safe harbor mechanism in

⁶ *Lifeline and Link Up Reform and Modernization; Federal-State Joint Board on Universal Service; Lifeline and Link Up*, Notice of Proposed Rulemaking, 26 FCC Rcd 2770, FCC 11-32, ¶ 1 (rel. Mar. 4, 2011).

⁷ *See Federal-State Joint Board on Universal Service, Lifeline and Link-Up*, Recommended Decision, FCC 10J-3, ¶¶ 62, 65-66 (2010) (recommending prescribing mandatory outreach requirements for ETCs but not for states because “unlike carriers, states do not receive low income support from the Universal Service Fund.”).

⁸ *See Lifeline and Link Up*, WC Docket No. 03-109, Report and Order and Further Notice of Proposed Rulemaking, FCC 04-87, ¶ 46 (2004) (“carriers should utilize outreach materials and methods designed to reach households that do not currently have telephone service...For low income consumers that live in remote areas, including those living on tribal lands, traveling throughout an area or setting up an information booth at a central location may be more suitable outreach methods.”); and *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Lifeline and Link Up*, WC Docket No. 03-109, Recommended Decision, FCC 10J-3, ¶ 64 (2010) (“The record also provides support for the role that community-based outreach can play in educating consumers about the Lifeline and Link Up programs.”).

⁹ *See* Notice of Oral *Ex Parte* Presentation of the Link Up for America Coalition, WC Docket No. 11-42 at 2 (filed Nov. 14, 2011) (“Coalition November 14th *Ex Parte*”).

¹⁰ *See id.* at 1-2.

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an effort to address some of those concerns and to generally (and rationally) reduce the level of pay-out per Link Up-eligible subscriber.¹¹

The parties further explained that Link Up is currently a carrier revenue replacement mechanism designed to reimburse revenue ETCs forgo in reducing the customary charge for establishing telephone service, which generally takes the form of an activation fee. We explained that the current wireless industry practice is to charge an activation fee of around \$35.00 – \$36.00.¹² The Commission originally set the Link Up cap at \$30.00 based on national average wireline connection charges of \$45.17.¹³ Therefore, if the Commission were to decide to reduce the Link Up cap for wireless ETCs, the appropriate proportional cap would be \$24.00 (\$45.17 is to \$30.00 as \$35.50 is to \$23.58).¹⁴

The Coalition also expressed its support for the Commission's goal of bringing mobile broadband to low income Americans. In this regard, we explained that broadband-capable smartphones presently were too expensive for low income consumers to purchase or for ETCs to provide for free without low income fund subsidies. The Commission previously supported handset costs through Link Up funding and it should do so again, especially given that smartphones effectively function as an extension of a carrier's network.¹⁵

In response to an additional question from Commissioner Clyburn, Mr. Skogen explained that, in a mobile environment, providing one Lifeline service per eligible adult is more appropriate than one Lifeline service per eligible household. Mr. Skogen acknowledged that under a one per eligible adult regime, the Commission might find it prudent to limit the number of times an eligible adult can be the beneficiary of a Link Up subsidy.

¹¹ See Notice of Oral *Ex Parte* Presentation of the Link Up for America Coalition, WC Docket No. 11-42 (filed Nov. 4, 2011).

¹² See Coalition November 14th *Ex Parte* at 4.

¹³ See *id.*

¹⁴ See *id.*

¹⁵ See *id.* at 3.

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In accordance with the Commission's rules, this letter is being filed electronically for inclusion in the public record of the above-referenced proceedings. Please feel free to contact the undersigned with any questions.

Respectfully submitted,



John J. Heitmann
Joshua T. Guyan

cc: Commissioner Mignon Clyburn
Angela Kronenberg